

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 ACDA-10 MC-01 EB-04 NSC-05 NSCE-00

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FM AMCONSUL ZAGREB

TO SECSTATE WASHDC PRIORITY 4281

INFO AMEMBASSY BELGRADE

S E C R E T SECTION 1 OF 2 ZAGREB 120

LIMDIS

E.O. 11652: GDS

TAGS: ESTC, ENRG, TECH, TEGN, PFOR, YO, US

SUBJECT: SLOVENIAN PRIME MINISTER ON NUCLEAR EXPORT LICENSING
FOR KRSKO

REF: (A) 76 BELGRADE 7348, (B) 76 BELGRADE 8364, (C) 76
ZAGREB 1076

1. AT RECEPTION IN LJUBLJANA FEBRUARY 8 FOLLOWING THE ANNUAL EXCHANGE OF NEW YEAR'S GREETINGS BETWEEN THE SLOVENIAN GOVERNMENT AND THE CONSULAR CORPS, I WAS CALLED ASIDE TO SPEAK ABOUT THE KRSKO NUCLEAR PROJECT WITH PRESIDENT OF THE SLOVENIAN EXECUTIVE COUNCIL MARINC, WHO WAS LATER JOINED BY VICE PRESIDENT CACINOVIC. MARINC WAS INTENT UPON EMPHASIZING THE IMPORTANCE THAT YUGOSLAVIA ATTACHES TO THE SUCCESSFUL COMPLETION OF THE KRSKO NUCLEAR PROJECT UNDER THE TERMS ORIGINALLY AGREED UPON; HE URGED THE TIMELY ISSUANCE OF RELEVANT US EXPORT LICENSES TO AVOID DELAY IN COMPLETING THE PROJECT.

2. MARINC STATED THAT THE YUGOSLAVS HAD SELECTED THE U.S. CONSTRUCTION PARTNER (WESTINGHOUSE) AT LEAST AS MUCH FOR POLITICAL AS FOR ECONOMIC REASONS. THE COST FACTOR HAD BEEN DOWNPLAYED, HE CLAIMED. ALTHOUGH THE BID FROM THE WEST
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GERMANS WAS 10 PERCENT LOWER AND HAD FRG GOVERNMENT GUARANTEES, A US PARTNER WAS SELECTED WITH THE THOUGHT THAT THIS WOULD BE AN IMPORTANT BASIS FOR FUTURE US-YUGOSLAV ECONOMIC COOPERATION.

3. THE YUGOSLAVS HAD CONFIDENTLY ASSUMED, MARINC EXPLAINED, THAT A CONTRACT WITH WESTINGHOUSE, WHICH HAD THE SUPPORT OF THE USG, WOULD BE FULLY HONORED. AS FOR NUCLEAR SAFEGUARDS,

YUGOSLAVIA WAS AN EARLY ADHERENT TO THE IAEA SAFEGUARDS AND NPT AGREEMENTS.

4. ALL YUGOSLAVS, MARINC SAID, FOUND IT DIFFICULT TO AVOID CONCLUDING THAT THE US WAS IN EFFECT APPLYING PRESSURE. TO SUBMIT TO THIS US PRESSURE WOULD MAKE YUGOSLAVIA VULNERABLE TO "PRESSURES FROM THE OTHER SIDE, AND YOU KNOW WHO I MEAN" (USSR), HE STATED. YUGOSLAVIA CANNOT AND WILL NOT SUBMIT TO US PRESSURE ON THIS ISSUE, EVEN IF THE ECONOMIC COSTS TO YUGOSLAVIA ARE HIGH. MARINC MAINTAINED THAT THE YUGOSLAV-SOVIET SPLIT IN 1948 HAD COST YUGOSLAVIA A DECADE IN ECONOMIC DEVELOPMENT; YUGOSLAVIA WAS WILLING THEN AND IS WILLING NOW TO PAY SUCH COSTS TO MAINTAIN ITS INDEPENDENCE, HE DECLARED.

5. MARINC ALSO MADE THE POINT THAT YUGOSLAVS LIKE HIMSELF, WHO HAD DECIDED TO OPT FOR THE US PARTNER, WERE GOING TO BE HELD RESPONSIBLE AND SUFFER POLITICAL CONSEQUENCES. HE ENDED THE 20-MINUTE CONVERSATION WITH AN URGENT EXPRESSION THAT THE CARTER ADMINISTRATION ACT QUICKLY AND DECISIVELY IN ISSUING THE NECESSARY EXPORT LICENSES.

6. I HAD EXPLAINED THAT THE SAFEGUARDS THE US SOUGHT WERE A REFLECTION OF THE WIDESPREAD AND DEEP CONCERN OF THE AMERICAN PEOPLE AND OF THE USG IN RESTRAINING NUCLEAR PROLIFERATION -- A CONCERN SHARED I THOUGHT BY THE YUGOSLAV PEOPLE AND GOVERNMENT. THE US REQUEST FOR ADDITIONAL SAFEGUARD MEASURES WAS NOT DISCRIMINATORY NOR WAS IT CONCEIVED AS US PRESSURE ON YUGOSLAVIA. I SAID THAT THE US AND YUGOSLAV GOVERNMENTS WERE NOW

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FM AMCONSUL ZAGREB

TO SECSTATE WASHDC PRIORITY 4282
INFO AMEMBASSY BELGRADE

S E C R E T SECTION 2 OF 2 ZAGREB 120

LIMDIS

DEALING WITH THE PROBLEM AT THE FEDERAL LEVEL IN WASHINGTON AND IN BELGRADE AND THAT I UNDERSTOOD A US DELEGATION WOULD SHORTLY BE COMING TO BELGRADE FOR TALKS. I EMPHASIZED THAT THE USG SUPPORTS THE KRSKO PROJECT AND HOPES TO RESOLVE THE EXPORT LICENSE ISSUE SOON.

7. COMMENT: THE CHARACTER OF US-YUGOSLAV RELATIONS IN THE CARTER ADMINISTRATION IS LIKELY TO BE HEAVILY INFLUENCED BY HOW AND HOW QUICKLY AND USG ACTS ON THE KRSKO EXPORT LICENSE ISSUE. THE YUGOSLAV POINTS THAT THE SANCTITY OF A CONTRACT IS INVOLVED, THAT THE US WAS SELECTED AS A PARTNER IN LARGE MEASURE FOR POLITICAL REASONS, THAT YUGOSLAVIA IS EXTREMELY SENSITIVE TO WHAT IT SEES AS A FORM OF PRESSURE ON ITS INDEPENDENCE AND SYSTEM SHOULD NOT BE COMPLETELY DISCOUNTED ON THE GROUNDS THAT THESE ARE ARGUMENTS WE WOULD EXPECT TO HEAR FROM THE YUGOSLAVS.

8. WHILE WE MAY FIND IT DIFFICULT TO SEE HOW THE USG REQUEST FOR ADDITIONAL SAFEGUARDS CAN BE INTERPRETED AS PRESSURE, SO FAR AS THE YUGOSLAVS ARE CONCERNED OUR REQUEST SO LATE IN THE DAY WHEN CONSTRUCTION AT KRSKO IS FAR ALONG AND IN VIEW OF EXISTING YUGOSLAV SAFEGUARD COMMITMENTS, CONSTITUTES EXPLICIT PRESSURE AIMED AT INITIATING FURTHER CHANGES IN YUGOSLAVIA.

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9. THE KRSKO PROJECT IS IMPORTANT IN HELPING YUGOSLAVIA MEET A SERIOUS POWER SHORTAGE IN THE INDUSTRIALLY MOST ADVANCED AND MOST RAPIDLY ADVANCING PORTIONS OF THE COUNTRY (SLOVENIA AND CROATIA). WE SHOULD NOT OVERLOOK THE TANGENTIALLY RELATED 7 HUNDRED MILLION DOLLAR PETROCHEMICAL JOINT VENTURE PROJECT BETWEEN DOW CHEMICAL AND INA.

10. IN A SENSE, YUGOSLAVIA IS AND HAS BEEN FOR SOME TIME IN THE HIGHLY DELICATE POST-TITO PERIOD. IT BEHOOVES US TO SUPPORT AS BEST WE CAN THOSE PRO-WEST ELEMENTS IN YUGOSLAVIA WITH A VIEW TO STRENGTHENING THEIR POLITICAL AND ECONOMIC CAPABILITY (THEY ARE ALREADY DETERMINED) TO MAINTAIN YUGOSLAVIA'S INDEPENDENCE AND IN THE PROCESS ENCOURAGE THE FURTHER DEVELOPMENT OF A MORE PRAGMATIC AND MORE HUMANE YUGOSLAV SOCIETY. FAVORABLE US ACTION ON KRSKO COUNTS. KAISER

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